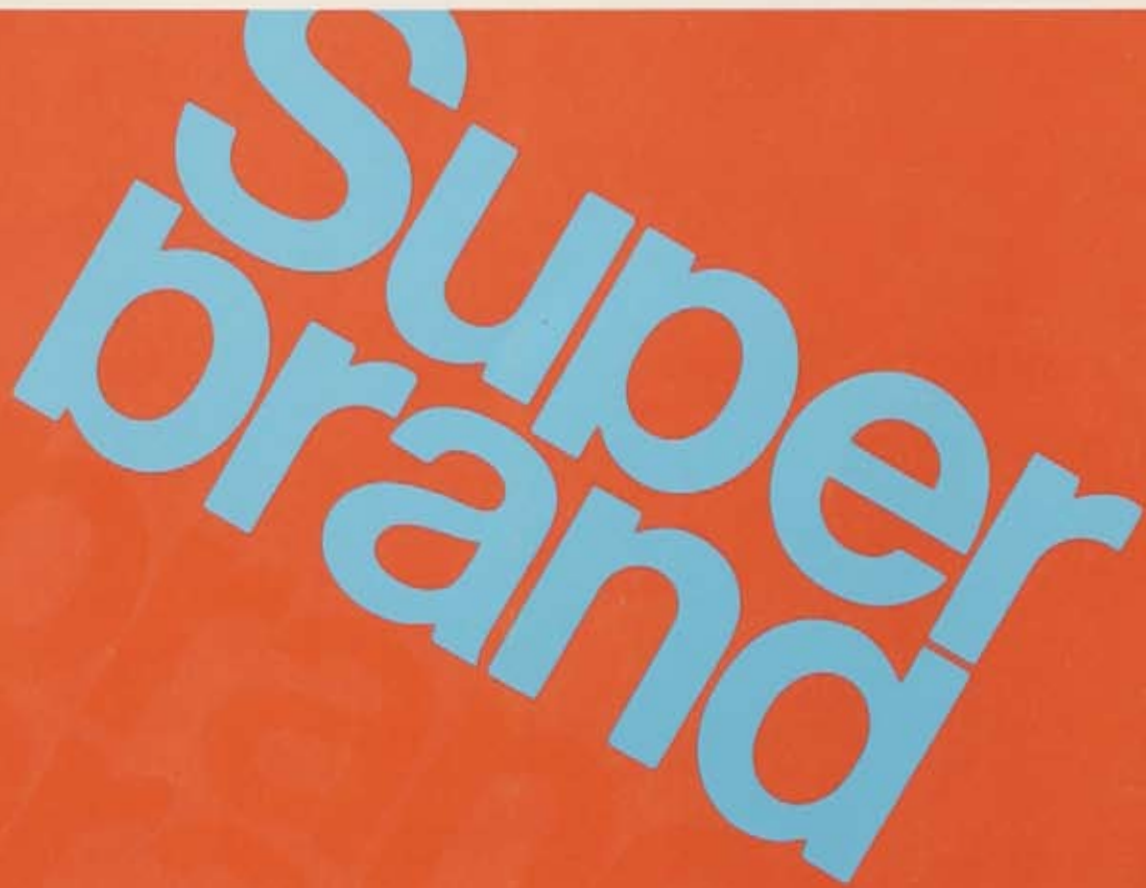


Enter Superbrand:

A Unique
Marketing Concept
That Builds For
The Future



Superbrand

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Special Note:

This issue of Sense, while dealing primarily with the supermarket industry, has significant application to *any* national or regional retailer. The concept of SUPERBRAND should also be of interest and value to any marketing-oriented executive regardless of business or industry.

Bracing For The Unexpected

The company that tests an industry's climate by casually raising its finger to the wind must often brace itself for the unexpected. The pitfalls are many: a shift in consumer taste, tight money, legislative action, technical innovation, a new marketing concept. The unexpected may bring bright opportunities or it may dull profits.

Within this decade, revolutionary marketing and communications devices have penetrated a variety of fields: the boutique introduced excitement and plus-sales to tired practices of department store merchandising; education, both institutional and industrial, took a toddler's step toward the 21st century by marketing knowledge through visual aids and electronics; franchising, even with its inherent problems, has created new profit opportunities in many areas of retail service; and then there is the ubiquitous computer with its still relatively untapped capacity to both create and destroy.

So it is, not only within this decade, but historically, that the ability to be flexible often provides the essential difference between success and failure.

Enter SUPERBRAND, not out of a telephone booth or through the open window in the conference room, but as the robust offspring of marketing/communications theory and practical experience combined. An examination of how SUPERBRAND works will be made through illustration of a progressive corporation in the troubled retail grocery industry.

In an industry characterized by intense competition and a low profit margin, Supermarkets General Corporation is one of the few chains doing well. Within little more than a decade, this aggressive group has propelled its regional supermarket chain into one of the top 20 nationally. Located in the highly competitive, densely populated New York-New Jersey sprawl, the number of its supermarkets is currently 83 and growing (12 more are now under construction). It has diversified for a new, more profitable share of the market with 12 drug stores, 15 gasoline stations and a discount department store. It has cut costs with a recently constructed 535,000-sq. ft. distribution center and its own baking subsidiary. And through acquisition of Genung's Inc., 19 department stores and three



specialty shops have been added to the corporate family. SGC has also recently acquired Rickel Brothers, a chain of six home improvement and sporting goods stores. In addition, construction is now underway for a new corporate venture—a specialty restaurant chain.

To facilitate further growth, Supermarkets General in 1967 broke away from the Shop-Rite group which it had helped establish. Management was keenly aware that breaking ties with the well-known Shop-Rite name would create an identity vacuum. Consequently, they turned to Lippincott & Margulies for assistance.

Establishing A New Identity

When Lippincott & Margulies was called upon as consultants, the surface problems of Supermarkets General were apparent—a new marketing identity and communications system were needed. However, extensive study and analysis of the corporation showed that SGC possessed unique attributes that called for an identity strategy totally different from that of other supermarket chains.

Although deeply involved in supermarket retailing, SGC's in-store diversification via non-food items and departments made this no longer just a "grocery business." Growth in drugs, gasoline and softgoods was gaining impetus, placing the company in many spheres of retailing. In short, the scope of corporate endeavor was too varied to limit definition to any particular retailing avenue. Rather, it was revealed that management was demonstrating superb talents as *retailers*, in the broadest sense of the word.

From this marketing framework, Lippincott & Margulies conceived and executed a unique total identity concept that spanned the diverse retailing activities of the corporation, uniting supermarkets, drug and gasoline outlets, and private label merchandise, *all under one name*. A new name emerged—an identity tailored to fit the present and allow for future growth. It is called Pathmark.

Pathmark

Anatomy Of a Superbrand

What is Pathmark? As a name, it signifies the path to quality, the mark of value; a name compatible with past identity, linking previous style and performance to the present. It achieves a quality connotation without a slogan approach. More important, a broader-than-food image. Primary focus is centered on what the customer gets; secondary focus on what the customer saves. Quality plus value in a way that says, "trust me."

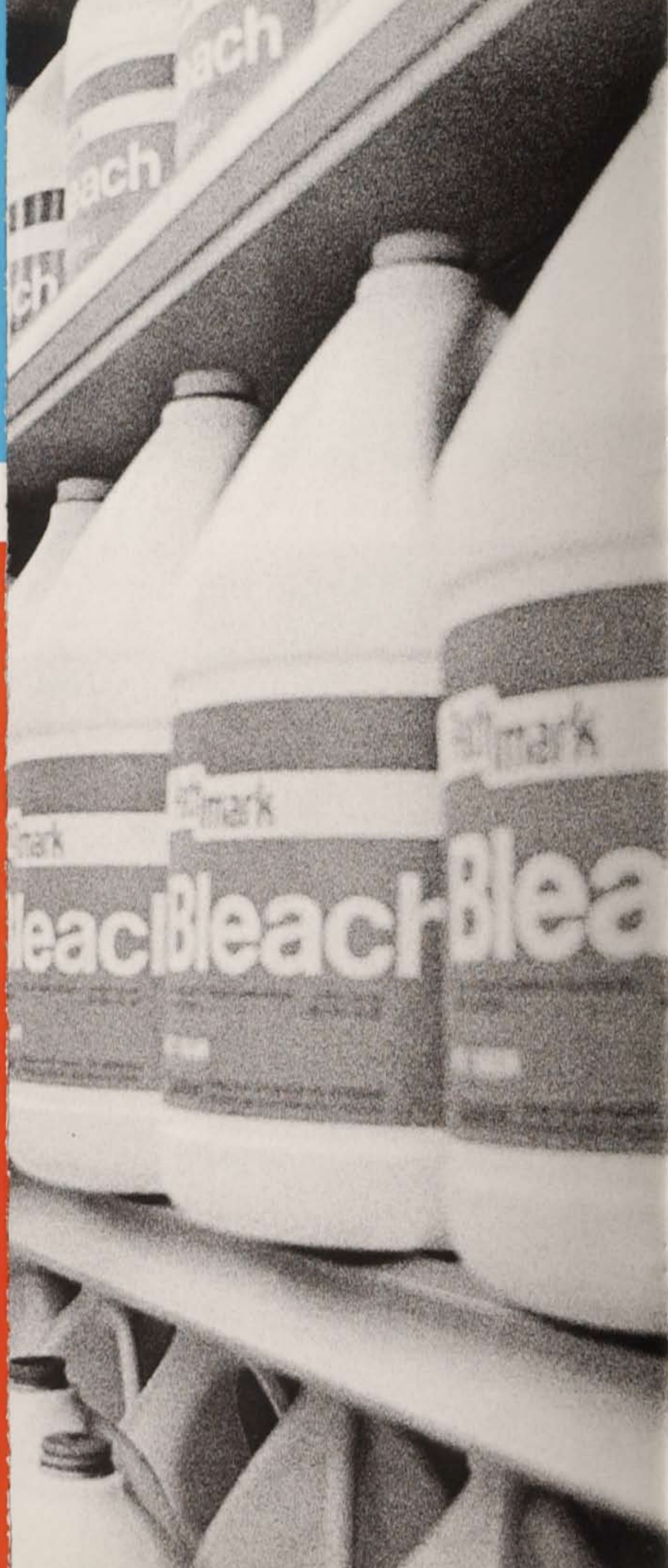
Visability, flexibility, believability—characteristics that set the standard for Pathmark's logotype and design. It is visually right at close range or at a distance. Its strength of color and design allows it to stand on its own whether on a crowded street or highway sign, a store front, a truck.

Yet, its flexibility adapts to a variety of package shapes, allowing it to endorse more than food. Red and blue, the posterlike quality of design is believable in terms of food, gasoline, drugs, restaurants. It has punch and recall through a stepdown band. It identifies from all angles and directions by bands of color across the label. It lends itself to clean, uncluttered bulk displays.

Commenting on the program, *Industrial Design* magazine reported, "What Lippincott & Margulies has done with the Pathmark line could (and probably will) serve as an example to a good many supermarket chains. Using a simple but rather distinctive logotype, the designers have applied the name in bold and logically controlled color bands on every package in the line...The Pathmark brand stands out from the competing lines on the shelf in every product category...In a time of rapid changes among the national brands, such upgrading is the price of survival in private-label packaging."

But the creation of Pathmark is more than a name or design system. Pathmark as SUPERBRAND is the conceptual nucleus of a total marketing and communications framework.

Examine the specific marketing and communications advantages of the SUPERBRAND concept as it applies to Supermarkets General.







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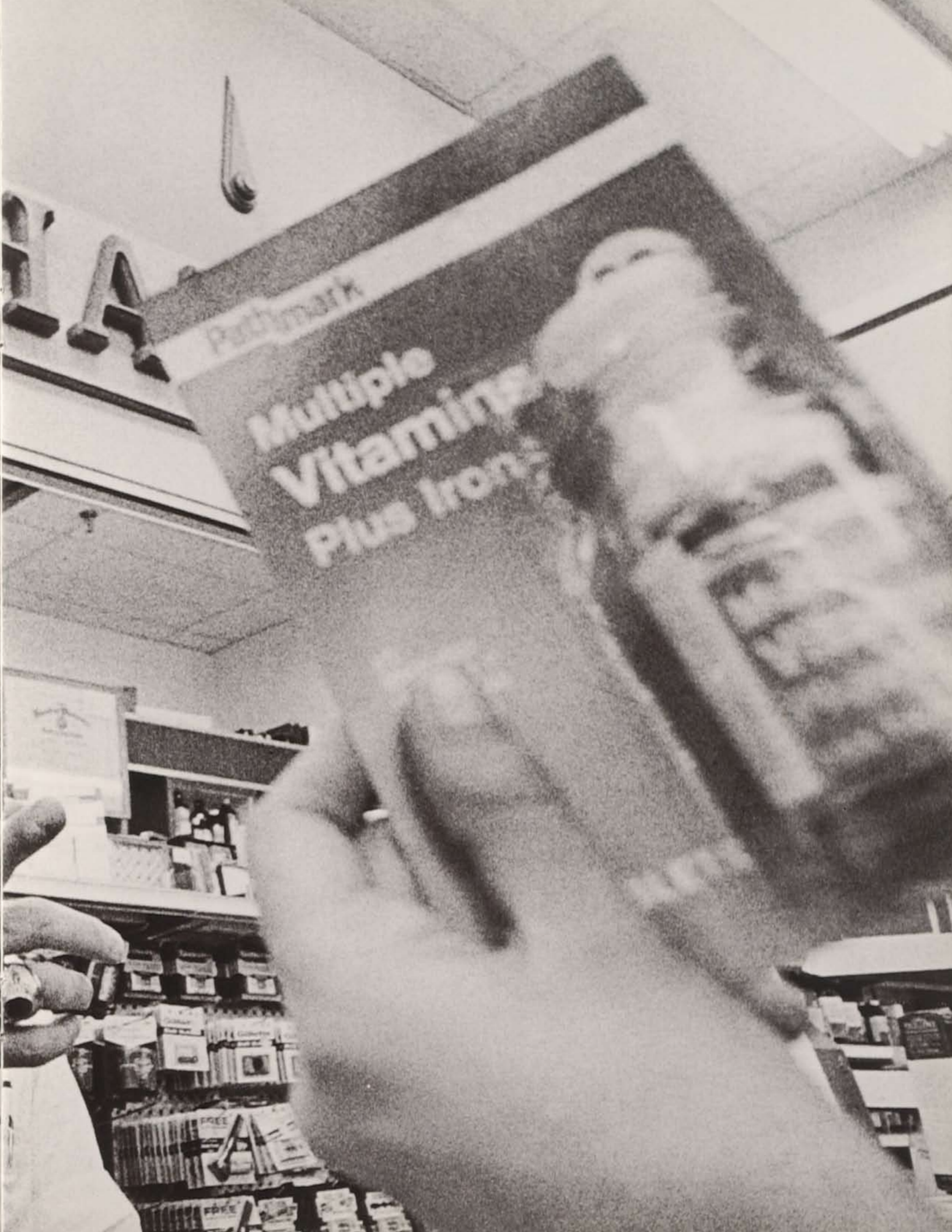
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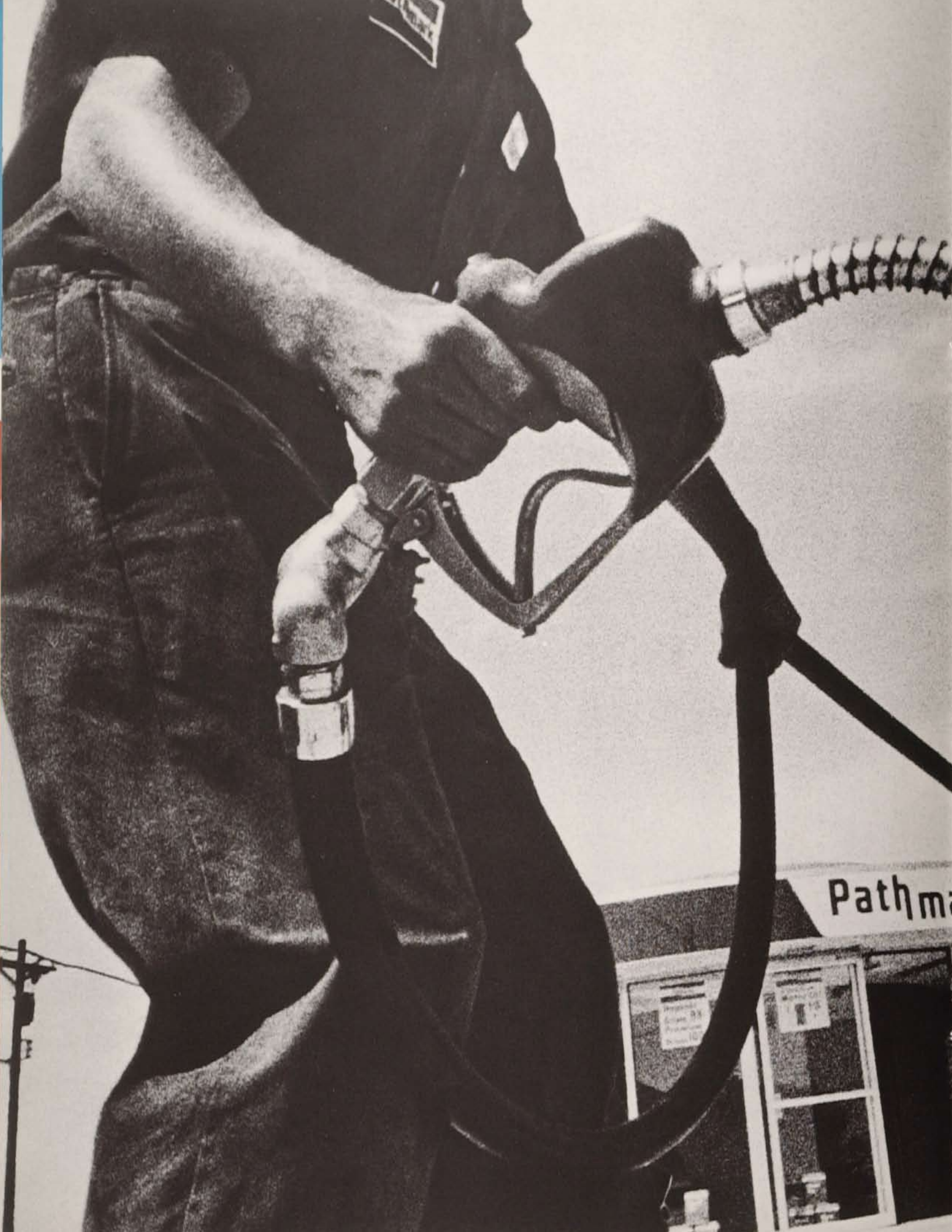
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Footmark

Multiple
Vitamins
Plus Iron



Pathma



Superbrand:

Private Labeling



Private labeling is not new. For years many retailers have taken this route to provide lower costs to the customer and higher profits to the store.

The approach of major food chains to private labeling identification is the multiple nomenclature system; a variety of names are used to identify various lines of products. A&P, for example, in its private line currently communicates with: Ann Page, Jane Parker, A&P, Bokar, Iona, Sunnyfield, Daily, Sail, Bright Sail, Our Own, Dexola, Super Right, to mention only a few. This is a universal practice among major chains, although the number of identifiers will vary from company to company.

One obvious drawback to this multiple system is that continuity of expression is lacking, both in nomenclature and design.

The reverse is true of SUPERBRAND, or more accurately, *unified branding*. The unity in Pathmark labeling creates a visual and verbal flow through all products and lines in both food and non-food categories. Identical in both nomenclature and feel of design, there is a continual exchange of equity, both in-store and out. Shopper recognition is immediate, an important plus on the highly charged selling floor where private labels must compete with national brands.

The program that is fragmented by an abundance of identifiers tends to confuse the shopper. It is often difficult for an involved merchant to realize that his familiarity with names and design in his own private label program is not necessarily shared by the uninvolved consumer.

Lippincott & Margulies' study of the effects of private branding unity recognizes possible drawbacks to the system. For instance, one of the strengths of the program lies in the exchange of equities among products. When that exchange is, say, between a cake mix and a bleach, some areas of opinion believe there may be resulting connotations that are undesirable. But this philosophy emanated from food manufacturers where a brand which characterizes a product and its attributes sometimes has problems spanning disparate, generic areas. In the case of private labeling, however, it is not the maker of the product

Superbrand:

In-Store Diversification

placing the guarantee, but the retailer. Thus, the consumer does not have to be convinced of the brand's claim to legitimacy, but must be convinced of the retailer's *reputation*. It must be pointed out, however, that a poor reputation can adversely affect the entire line of private label products. Thus, tight quality control is essential to unified branding.

But even beyond that, the merits of unified branding, both in terms of a total identity system and in-store brand sales, more than outweigh any possible drawbacks. Supermarkets General's private label program now encompasses more than 1,000 separate items and is still growing.

Forbes magazine in an article on SGC reported, "Chains like Great Atlantic & Pacific turn over their inventories from 12 to 14 times a year, thereby generating sales of over \$1 million per store and return 10% to 17% on their stockholders' equities... Perlmutter (President of SGC) last year managed to turn over his inventories almost 30 times. This pushed the average sales... to an amazing 5.6 million each and SGC's return on equity to 20%, one of the highest in the business."

Many national chains are attacking their profit problems by moving into non-food areas. Non-food items now account for approximately 6% of supermarket volume (for some chains as much as 20%) and a substantially greater share of the profits. Health & Beauty Aids represent by far the largest area of in-store diversification, with sales now more than \$2.5 billion. But other categories such as housewares, soft goods, magazines and books, toys, phonograph records, stationery are also helping offset low profit margins.

Nevertheless, there are still problems that stand in the way of the grocery retailer—most significantly, *perceived areas of competence*. The shopper in the supermarket must first scale the mental hurdle that a food chain is capable of selling certain non-food items. National brand names present less of a problem, but in the area of private label merchandising or little known names, many questions arise that can affect the buying decisions: Who is represented by this name? What does it stand for that makes it salable? What authority or expertise is behind this particular product?

To offset this, the retailer must broaden his areas of competence in the minds of consumers. It is no longer enough to demonstrate talent as a merchandiser of food, but also talent as a

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External Diversification

merchandiser in the broadest sense of the word. Then, and only then, can the full potential of in-store diversification be profitably realized.

A company's selling name—and what it stands for—is its most valuable asset. The business readying itself to project an image of broad merchandising competence lays the groundwork for future corporate diversity. Thus, Pathmark as SUPERBRAND with its quality-plus-value image provides a platform from which a variety of in-store products and services may be sold. Whether as a total identity banner or a private brand, the Pathmark name and visual presentation inspires confidence of broad retailing competence. And the greater the in-store and out diversity, the more this confidence will grow. The end result will be a consumer image of *multiple merchandising expertise* ranging from food to flowers, gasoline to garden equipment, liquor to luggage, apparel to amplifiers, drugs to dry cleaning.

One of the life lines to economic stability for food chains is acquisition of businesses that are non-food in nature. This is the most significant of current profit-generating movements.

Supermarkets General Corporation has taken a leadership position among the innovators of diversification. The Pathmark total identity program gives SGC options within the present framework of its company, as well as flexibility in its growth moves. Taking its option, the Pathmark identity was placed on supermarkets, drug stores, gasoline stations, private brand merchandise and some integrated discount operations. It will be used in a new corporate venture, a specialty restaurant chain to be called Pathmark's Hut.

In the future, as new businesses are acquired or started, it may again exercise its option; keep an existing name, invent a new one or move it under the Pathmark banner. Criteria for the choice is based on name equity and marketing feasibility.

Clearly, the corporation that is bound by unsuitable or inflexible identification must find itself considerably limited in marketing options. When faced with a nomenclature decision of an acquired or new business, its choice by necessity must be restrictive. The corporation has knowingly or unknowingly cut itself off from a vital

Superbrand:

Communication Efficiency

communications option—the use of its own corporate nomenclature and all it stands for.

Consider the semantic incongruity of National Tea drug stores, Food Fair clothing stores, Penn Fruit gasoline stations, King Kullen beauty salons, Stop & Shop auto repair service, A&P hardware stores. They don't exist nor can they ever. The identification gap is a marketing chasm. Substitute the Pathmark name in each of the above categories, keeping in mind the quality-plus-value image, and see how much closer the fit.

But interestingly enough, National Tea does have a chain of drug stores now operating under the Kare banner. And Food Fair is in the clothing business with its line of J. M. Fields discount department stores as is Stop & Shop with its Bradlee's department stores. Moreover, A&P is now in the process of acquiring the Eckerd drug store chain. Possibly the name equities of the acquired companies were too strong to change, but no realistic marketing option was available. Apparently, there was no choice but to keep the names and further fractionate the acquirer's marketing posture. Such diffuse effort has an inherent negative effect on attempts to broaden a merchandiser's perceived range of competence.

A corporation communicates in many ways; from the pyramidal apex of its name down through divisions, subsidiaries, products, advertising, packaging, signage, even the way its telephones are answered.

Total identity in the great majority of cases improves communications regardless of how large or how small the scope of corporate activity. By revealing and repeating the total scope of corporate involvement, the result is magnification of communications.

Efficiencies also result in relation to a corporation's advertising, promotion and public relations. For one, a unified image negates scatter-shot exposure, generally a problem with diversified companies. Working within a total identity framework, each impression will reinforce the whole.

Budgetary efficiency is another vital consideration. For no matter how large, every corporation's advertising and promotion budget is limited. Consider Pathmark's problem if its communications program did not function under a systems concept. Substantially larger advertising and promotion monies would have to be budgeted for each operation—supermarkets, drug stores, gasoline stations, discount houses—to achieve the same communications impact. The same is true of private labeling if it works under different names.



A Look To The Future

What are the growth boundaries of the supermarket chain, or for that matter any large retailer? The variables are as vast in number as the consumer's needs. But one-way thinking often stands in the way.

Too much today, our approach to marketing is segmented, each idea living within its own cell, unable to effectively relate to another. The concept of separate retailing identities is a fact of life, an outgrowth of centuries of custom and familiarity. For groceries, one goes to the supermarket, for health and beauty aids to a drugstore, for hardware to a hardware store. Or, as is happening more and more, one may go to a drug store within a supermarket or discount house. Even with an intermingling of retail services, the static concept of segmentation remains. This rigidity of thought may be a fact of life, but it does not mean that the innovative marketer of today must accept it as a *rule of life*.

Today's consumer is already familiar in varying degrees with the intermingling of food, health and beauty aids, liquor, baked goods, hardware and clothing. Many other types of retailing endeavor remain relatively untouched—florists, beauty salons, barbershops, drycleaning and laundry establishments, banks, auto and appliance repair shops to mention a few.

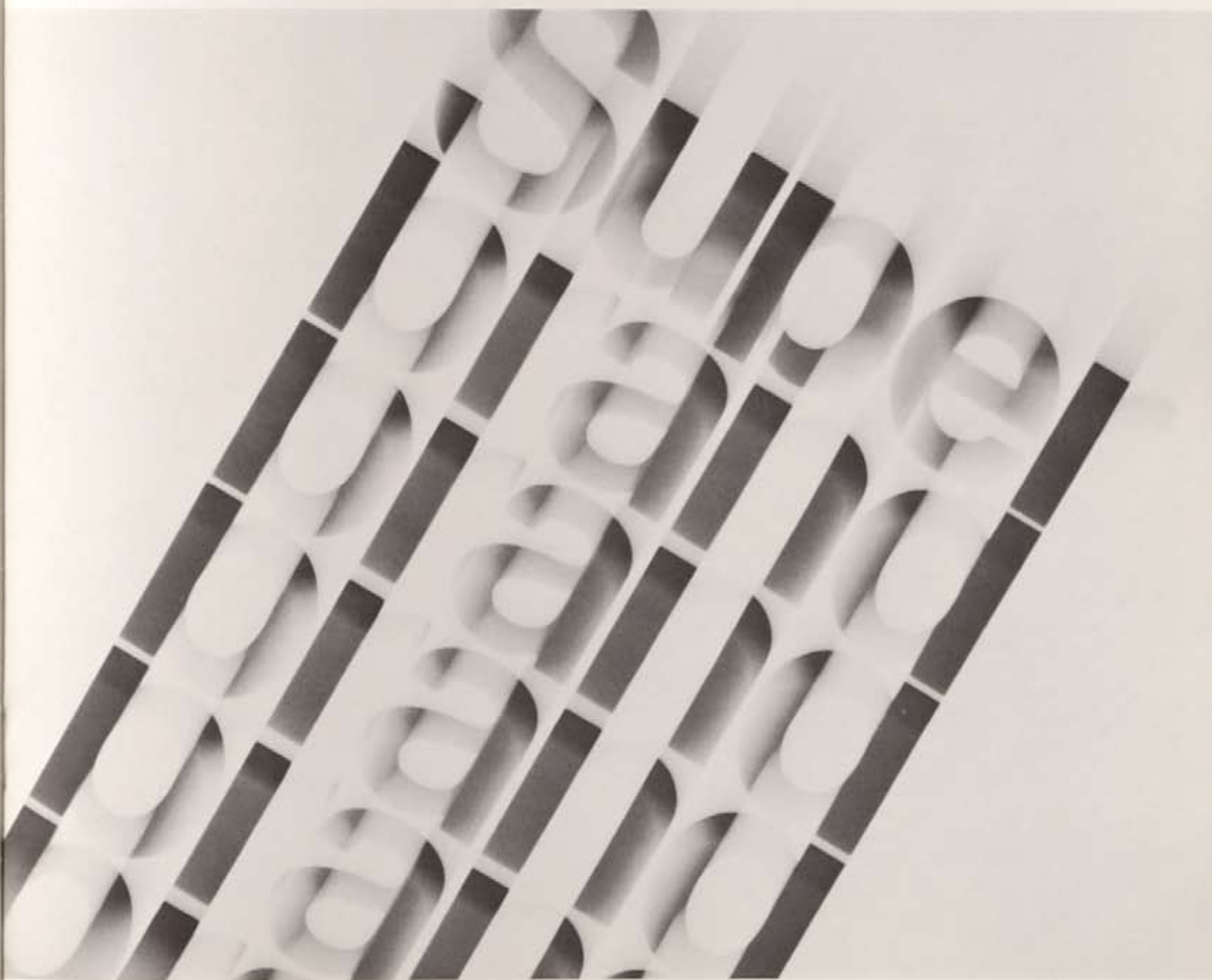
Supermarket diversification might well fulfill this evolutionary need. For a corporation to develop the services and products necessary to meet the demands of tomorrow's population is a job of no little magnitude. But an initial broad marketing concept must be formulated. The corporation that views itself as being merely in the food or drug or hardware business, or even all three, is halting itself to the hitching post of limited growth. On the other hand, the corporation that envisions the entire retail spectrum as a potential profit opportunity provides itself with a built-in flexibility that will allow it to strike out in any direction as the occasion demands.

Some discount-type centers are already taking baby steps in this direction, providing multiple lines of food, housewares, soft and hard goods. But the surface is merely being scratched, and in most cases the basic marketing concept is turned around; the proverbial cart before the horse.

As now often happens, products and services are being *added*, often in a haphazard fashion, to an already established limited identity. This of course can play havoc with a company's image, its environmental selling atmosphere, employee attitudes and morale, and most important, the content and direction of its communications strategy.

From a conceptual point of view, a company with a broad consumer-oriented base should find it unnecessary to *add* products or services because theoretically they are already in existence, although perhaps not implemented. Rather, it may be necessary to *eliminate* certain areas of retail endeavor due to poor profit potential. This type of broad marketing overview provides a company with needed flexibility and almost endless communications opportunities.

Whether supermarkets or other retail chains can achieve this evolutionary need remains to be seen. But if the need is viable, it will in time be fulfilled; if not by retailers, then by an innovative giant stepping in from the outside. It has always been so.



A Corporate Umbrella

The ability to move quickly when the time is right is the essence of countless business successes. The nature of SUPERBRAND and the total identity concept allows a corporation this advantage of maneuverability. It provides a ready springboard from which a company can bound upon profitable opportunities without stultifying identification or communications problems. The greatest ideas conceived and the most detailed plans for growth may be diluted unnecessarily by the lack of punch in effectively reaching all concerned publics.

And who are these publics? First of course is the consumer, the faceless entity whose whims or thought-out buying decisions ultimately affect the fate of every corporation. But this is only one of the masks which the consumer assumes. As investors they are also a potent force; some 26 million U.S. adults now own stock representing almost half of all shares traded. And within this great mass called the public are tomorrow's top executives, managers, employees—the lifeblood of a corporation.

Is your's a good company to buy from, to invest in, to work for? The consumer by his actions is answering these questions every day. Then of course there are the other vital publics—share-

holders, employees, suppliers, the government, the press and most important, the financial community. Never before has the combination of good management and effective communications been so important to the future success of an industry.

Countless dollars and man-hours will probably be devoted to researching the right course of action for tomorrow. But ultimately, tomorrow will be itself, and it will bring its surprises regardless of an organization's predetermination. Within the framework of SUPERBRAND, a communications umbrella is raised that enhances all other activities and allows a business to advance to a position years ahead of its competitors.

For as new products and services crowd the marketplace each day, as mergers and acquisitions create communications confusion, as the demand for capital, executive talent and expanded sales increases, the corporation that sends the strongest signal, the clearest expression of itself, is the one that will be heard and heeded.

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